



Financial Highlights and Five Year Review

for the years ended September 30

(thousands of dollars, except per share data, ratios and statistical data)

Annual General Meeting

The Annual General Meeting of the Shareholders will be held on Friday, February 1, 1985 at 3:45 pm at the Coach House Inn, 700 Lillooet Road, North Vancouver, British Columbia.

Front Cover Photo

Glenayre's new facility at 1570 Kootenay Street, Vancouver.

	1984	1983	1982	1981	1980
Operations Data					
Sales	\$18,433	\$15,507	\$12,685	\$12,053	\$ 8,411
Gross Profit	8,342	6,906	5,667	4,334	3,436
Research and Development	2,993	2,558	2,123	1,336	549
Net Earnings Before Income Tax	2,440	2,644	2,047	1,593	1,482
Net Earnings	2,137	1,830	1,373	1,222	1,013
Dividends Paid	39	23	47	45	22
Capital Expenditures (including goodwill)	4,470	3,347	721	302	469
Financial Data					
Working Capital	\$12,620	\$11,247	\$ 4,298	\$ 3,267	\$ 1,864
Fixed Assets - Net	6,667	2,749	1,008	611	566
Long-term Debt	173	237	338	450	133
Shareholders' Equity	19,486	14,718	4,830	3,426	2,249
Ratio and Percentages					
Gross Profit as % of Sales	45.3%	44.5%	44.7%	36.0%	40.9%
Net Earnings as % of Sales	11.6%	11.8%	10.8%	10.1%	12.0%
R & D as % of Sales	16.2%	16.5%	16.7%	11.1%	6.5%
Current Ratio	2.7:1	4.0:1	2.3:1	2.4:1	1.7:1
Per Common Share Data					
Earnings per Share (basic)	\$0.59	\$0.64	\$0.60	\$ 0.60	\$0.55
Book Value per Share	5.27	4.31	2.06	1.50	1.01
Market Price Range - High	12⁵/₈	14 ¹ / ₂	-	-	-
- Low	6⁶/₈	9 ¹ / ₂	-	-	-
Statistical Data					
Number of Common Shares Outstanding (average)	3,601,402	2,856,030	2,286,575	2,033,225	1,847,175
Number of Common Shareholders	742	898	164	N/A	N/A
Number of Employees	191	175	164	161	143



For the past decade, Glenayre has been committed to serving the needs of the North American and international mobile communications industry – an industry where rapid technological advancements and deregulation have presented new opportunities for both Glenayre and its customers.

Glenayre specializes in the design and manufacture of mobile radiotelephone equipment, paging and voice mailbox systems. Newly developed products are expanding the company's traditional markets. With over 16% of sales spent annually on research and development, a commitment to quality

control and customer service, the company has earned an enviable reputation for innovation and product reliability.

The company's head office is located in Vancouver, B.C. and houses the engineering, manufacturing, administration and marketing offices. Four regional sales offices are located in Seattle, Houston, Atlanta and New York. All cellular mobile telephone products are distributed from the Seattle facility.

1984 has been another record year of sales, production, and profits. While we achieved the net earnings outlined 18 months ago, we did not fulfill our expectations of market growth and operating profits.

Briefly, the operating results are:

- Gross Sales (including distributed products) \$18,433,000 – up 19%
- Canadian Company Product Sales \$12,306,000 – up 4%
- Net Earnings \$2,137,000 – up 17%
- Exports \$11,796,000 – up 16%
- Research and Development \$3,197,000 – up 21%
- Company Funded R & D as % of Canadian Company Product Sales 26.0% – up 4%

The order backlog was maintained at approximately \$6 million.

In retrospect, it was a year of significant successes and some disappointments; the delay in turn-up of the market for DIGITAIR, the rapid deterioration of the cellular mobile telephone market, and the late market entry of the paging terminal all had a negative impact on sales.

The market for our DIGITAIR rear-of-train system was expected to develop in January, with volume deliveries commencing in March. Unfortunately, the Association of American Railroads decided to make specification changes, which delayed receipt of orders until July.

In January, we entered into an agreement with Mitsubishi International Corp., to distribute their cellular mobile telephone equipment across North America. However, due to Mitsubishi's design and production problems, prod-

uct delivery started 4 months late. The cellular market in the U.S. is now very uncertain, with too many manufacturers chasing too few users. Although we do have an inventory we do not anticipate any losses at this time, and until the market re-establishes some direction, we are adopting a very cautious approach.

Although Glenayre paging systems are now receiving a good reception in the marketplace, the software development required was more extensive than anticipated, resulting in a delayed market entry and reduced sales.

Company funded R & D expenditures reached an all time high this year. In spite of our 12 year record of substantial R & D commitments, we failed to receive the expected grants from appropriate federal sources. We are continuing to pursue all available funding sources, as no company can maintain R & D costs of 26% and remain competitive.

On a more positive note, we do have good news and some significant achievements to report.

Our traditional mobile telephone products continued to perform well, exceeding previous year's sales, and contributing significantly to our profitability.

1984 was an important year in the development of our paging systems. While sales were less than forecast, and considerable engineering effort went into enhancing the system software, our customers inform us that we now have the best and most innovative paging system in the marketplace. Major communications companies in the U.S. have already placed orders for additional terminals, and the system has been submitted to British Telecom for type approval.

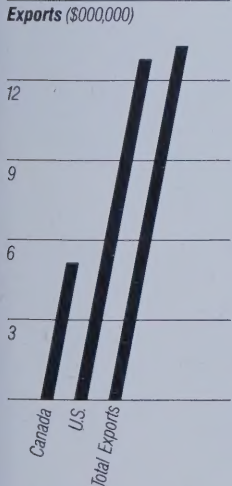
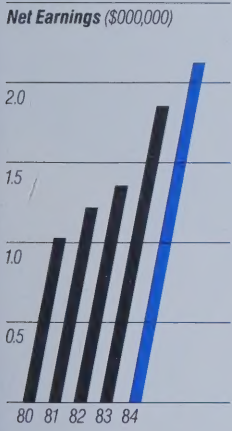
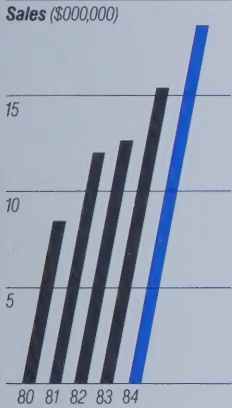
Despite the slow turn-up of the DIGITAIR market, it was nonetheless an exciting year for this product line.

DIGITAIR has a technological lead of 12 to 18 months on all competitive products, and to date, we have captured at least 80% of the U.S. market. Canadian railroads have tested the system and are currently seeking approval to use it on Canadian main line railroads. Two important U.S. patent applications will be issued shortly, and in addition there are two further applications, on motion detection and emergency braking, pending. Barring political interference or some unusual technical failure, we should dominate this vast market for at least the next year.

Initial tests by British Columbia Railway on our LIC (Location, Identification & Control) system were impressive and have led to a request for feature enhancements and expanded capacity. These will also be applicable to the new modular design specifications presently being developed by the North American Railroads Association. In the near future, we expect to be able to announce an arrangement with a systems house to assist in the development and marketing of this product line.

Other R & D efforts included the development of an automated telephone answering system, the Message Manager. Our commitment to this new product, and to our paging systems, reflect a belief that integrated voice messaging services will dominate the marketplace over the next decade. These systems are our first steps toward a fully integrated messaging system.

Another promising new product is the GL321, a mobile telephone control head for use on both cellular and conven-



tional systems. Initial market response in the U.S. indicates that the GL321 will be successful during the transition from conventional to cellular mobile telephone systems, over the next few years.

In July we moved to our new building in Vancouver, and are pleased to report that it is a resounding success. The building not only looks good, but provides the staff with an efficient and comfortable working environment, and although the move and accompanying disruptions were costly, the increase in productivity and morale is noticeable. All costs for the move have been absorbed in this financial statement.

We expect the coming year to start slowly, however, the second half should be very strong as the new products and DIGITAIR gain market acceptance. There is also a good possibility that the Mexican marketplace will reopen, at least on a limited basis.

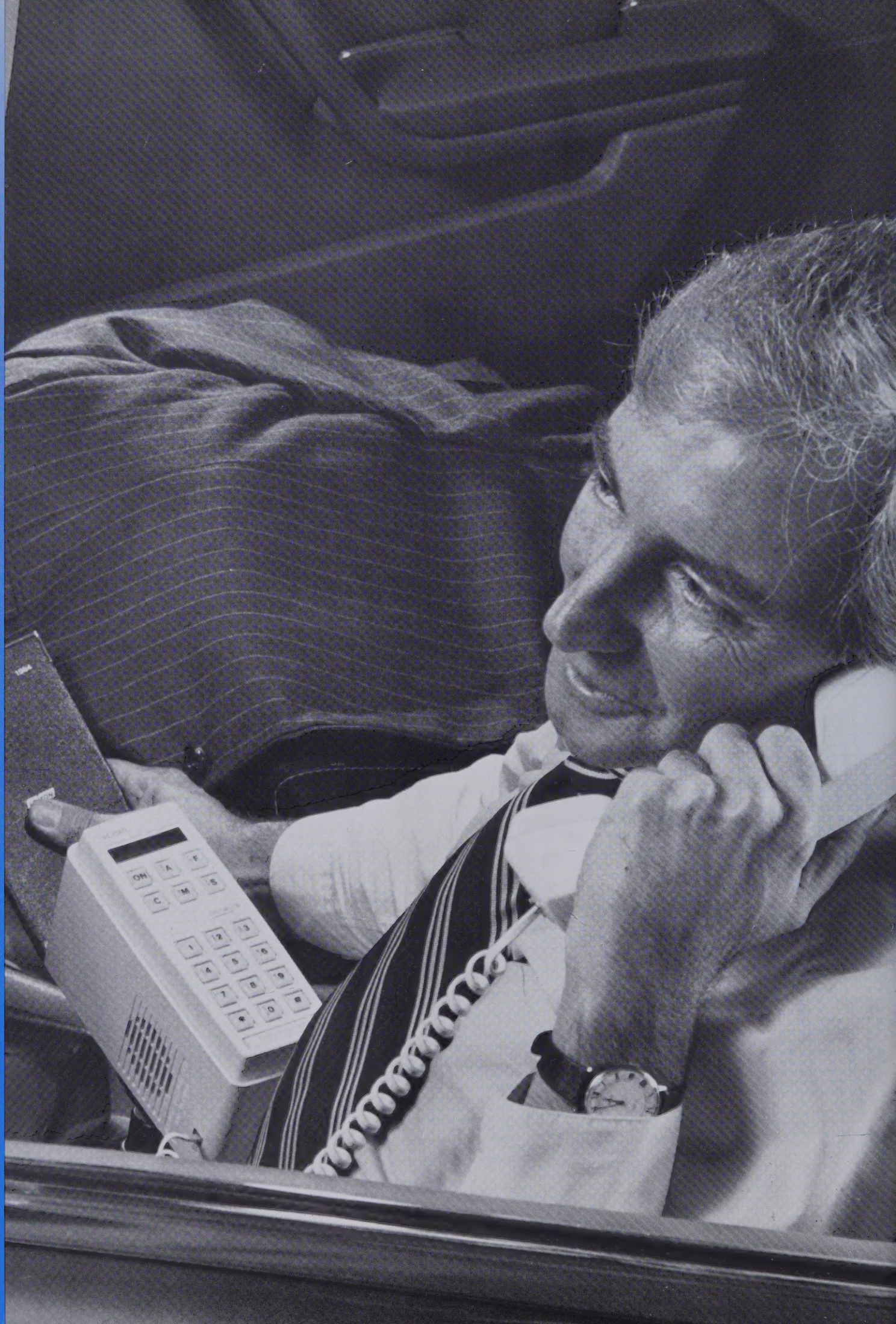
Our company is in an excellent position to take advantage of any opportunities which might arise. We have strengthened our management group at the senior management and secondary levels, and our balance sheet is solid.

We appreciate the support of our shareholders and employees and are optimistic that Glenayre's performance in the coming year will merit continued support.

On behalf of the Board of Directors,

E.K. Deering
Chairman, President and
Chief Executive Officer
December 14, 1984





"In 1984, Glenayre maintained its position as the leading supplier of conventional mobile telephone equipment to the North American market."

Mobile car telephones are used extensively in the United States. Sophisticated units, such as Glenayre's GL2021 and GL321, offer many convenient time saving features including on-hook dialing, speed dialing from memory and last number redial. Users can also take advantage of advanced system features such as call forwarding and touch-tone access of discount long distance networks.

Conventional Mobile Telephones

More Glenayre mobile telephones were sold in 1984 than in any previous 12 month period, contributing significantly to the year's record sales total. Over 6,000 GL2020 and GL2021 units were shipped.

Although the demand for conventional mobile telephones in the U.S. is expected to decline as cellular systems turn-up, sales of the GL2020 and GL2021 will still be substantial, particularly for use on existing and new conventional systems in rural parts of the U.S. Offshore sales of the mobile telephones are expected to increase, in conjunction with the sale of radiotelephone systems.

Cellular Mobile Telephones

To establish an early entry into the cellular market, Glenayre has been distributing a Mitsubishi manufactured mobile telephone in the U.S. Although delivery problems delayed the market introduction, and the market did not

develop as expected, equipment totalling over \$1 million was shipped.

The new GL321 combines cellular and conventional operation in one unit. It offers a mobile telephone user the advantages of cellular service in major urban centres, as well as allowing service on the conventional systems that already exist in most rural, inter-urban areas and smaller urban centres. Cellular service is not expected to reach these areas for many years.

Radiotelephone Terminals

Throughout 1984, the GL1200 series control terminals continued to set industry standards for reliability and performance. A radiotelephone terminal is the central "switch" in a conventional radiotelephone system, transferring calls between the mobile radiotelephones and the landside telephone system.

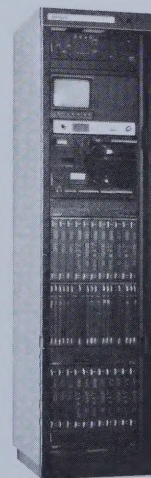
Since its introduction in 1978, more than 200 GL1200 series systems have been sold worldwide. They are now operating in such disparate locations as the oilfields of Saudi Arabia and remote Prudhoe Bay, Alaska. Applications also vary from providing the only communications service in rural Mexican villages, to mobile telephone service on board luxury marine vessels off the Florida coast.

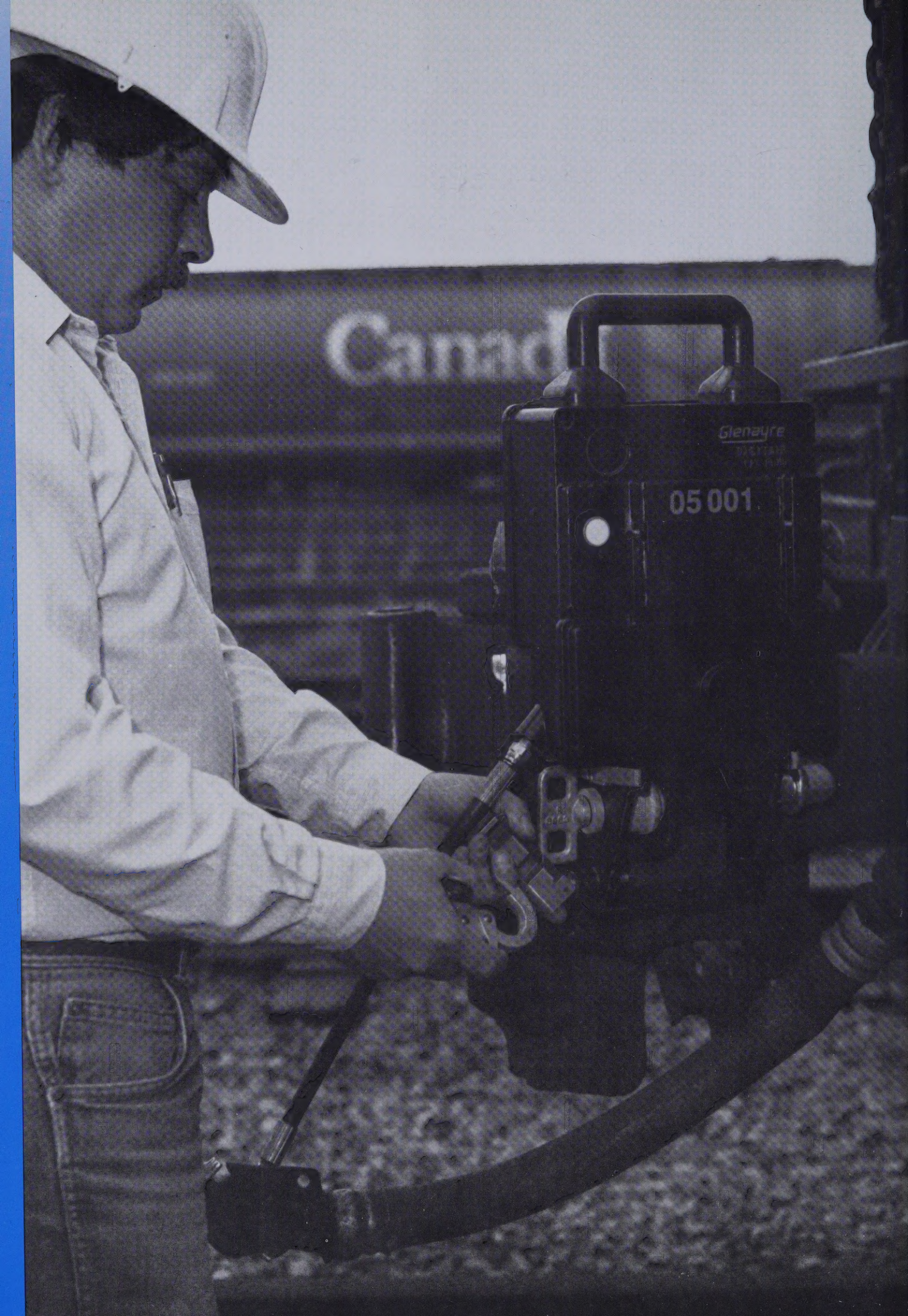
With cellular service in the U.S. turning up more slowly than anticipated, sales of the GL1200 and smaller GL1205 terminals have been better than expected. The market for the terminals in the U.S. is declining as predicted, but will be offset by a marketing emphasis on offshore markets, particularly in developing countries where a mobile telephone system is often the most economic way of providing communication services.

AUTOTEL System

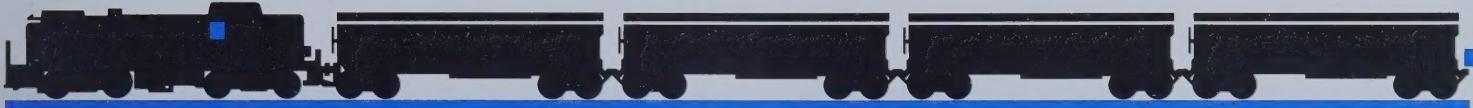
The AUTOTEL system, designed initially for B.C. Tel's new province-wide automatic mobile telephone system, is now operating in a number of other locations in the U.S. and Canada. The AUTOTEL system comprises a Glenayre manufactured control terminal and mobile telephone control heads. The system utilises high speed digital signalling for efficient call processing, plus offers the capability to interconnect a number of control terminals to form a "network", providing continuous service over wide areas.

The AUTOTEL system offers mobile telephone business operators a low cost alternative to a cellular system. It is ideal for those domestic and offshore markets that require the sophistication of cellular service, but are too small to make cellular service economically viable.





"R & D efforts this year have resulted in enhanced operating features for existing products, and a number of significant new products for new markets."



A DIGITAIR system comprises a Sense and Transmit Unit at the rear of the train and a Receive and Display Unit in the locomotive cab. The rear unit continually monitors and transmits to the front unit vital data such as brake pipe air-pressure. Built to withstand a harsh operating environment, the rear unit's antenna is incorporated into its handle.

DIGITAIR Rear-of-Train Monitor

The recent regulatory changes in North America that permit trains to operate without a caboose have dramatically increased the market potential of DIGITAIR.

DIGITAIR eliminates the need for a caboose by providing the locomotive driver with a continuous display of the air-pressure in the brakes at the rear of the train. Feature enhancements required by many of the major railroads have already been implemented, including a motion detector which detects and displays the motion of the last car, a

"marker light" for night-time operation plus odometer functions. These features, coupled with the unit's rugged design and proven field performance, place it far ahead of competitive products.

Orders for DIGITAIR amounted to more than \$3 million in 1984, with the first shipments occurring in the last month of the fiscal year. It is expected that DIGITAIR will play an increasingly important part in the coming year's operating results, as more railroads dispense with the caboose and make use of this cost-saving system.

Radio Paging and Voice Mailbox Systems

With market growth predicted to continue at more than 30% annually, radio paging presents vast opportunities for both Glenayre and its customers.

Glenayre's Radio Paging Systems are used by Radio Common Carriers and telephone companies to offer the latest "personal communications" services to corporate and individual customers. Executives, sales personnel, doctors, and now the general public are becoming more aware of the advantages of being in touch while on the go.

Services available with these systems include voice message retrieval, as well as tone, voice, numeric, and alphanumeric display paging. In Glenayre's first full year committed to paging development and marketing, combined product sales amounted to over \$3 million. Prospects for 1985 and beyond are excellent, as our systems gain market presence for their superior technology and capabilities.

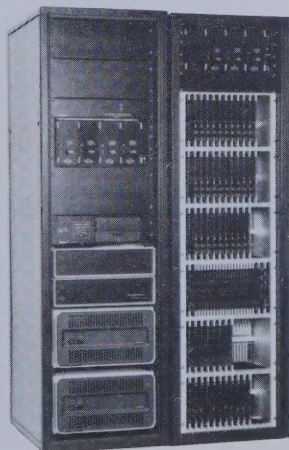
Automated Telephone Answering Systems (TAS)

Glenayre has committed a team of research and development engineers to the design of the Message Manager, a sophisticated automated TAS system. The Message Manager offers a paperless computerized message taking system, with the objective of increasing the productivity and scope of telephone answering bureaus.

Applications for the Message Manager are numerous, ranging from upgrading the typical cord switchboards to providing a complete communications message service centre for office complexes, large corporations or hotels.

Scheduled for release in early 1985, prospects for the Message Manager system are encouraging. The system was well received at several recent trade shows; potential customers were interested in the concept of creating a total message handling service by interfacing to one of Glenayre's Paging and Voice Mailbox Systems.

Product Sales Comparison (\$000,000)

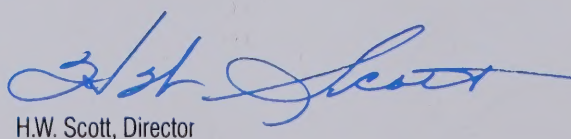


Glenayre Electronics Ltd.
Consolidated
Balance Sheet
(thousands of dollars)

	As at September 30th	
Assets	1984	1983
Current Assets		
Cash and short-term deposits	\$ 5,035	\$ 7,112
Accounts receivable (Note 2)	8,039	4,665
Inventories (Note 3)	6,247	3,218
Prepaid expenses	33	47
Income taxes recoverable	658	-
Total Current Assets	20,012	15,042
Fixed Assets (Note 4)	6,667	2,749
Goodwill and Other Assets at Amortized Cost (Note 5)	1,502	1,210
	\$28,181	\$19,001
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 7,183	\$ 3,236
Income taxes payable	-	412
Current portion of long-term debt	65	65
Deferred income taxes	144	82
Total Current Liabilities	7,392	3,795
Long Term Debt (Note 6)	108	172
Pension - unfunded liability (Note 13)	100	-
Deferred Income Taxes	1,095	316
Total Liabilities	8,695	4,283
Shareholders' Equity		
Share capital (Note 7)	11,460	8,790
Contributed surplus	163	163
Retained earnings	7,863	5,765
Total Shareholders' Equity	19,486	14,718
	\$28,181	\$19,001
Contingencies (Note 14)		

On behalf of the Board of Directors


E.K. Deering, Director


H.W. Scott, Director

Glenayre Electronics Ltd.
Consolidated Statement of
Earnings
(thousands of dollars except per share amounts)

	Year ended September 30th	
	1984	1983
Sales	\$18,433	\$15,507
Expenses		
Cost of goods sold	10,091	8,601
Research and development (Note 8)	2,993	2,558
Administrative and selling expenses	3,090	1,842
Depreciation and amortization	565	361
Interest - on long-term debt	21	34
- interest income	(767)	(533)
	15,993	12,863
Earnings Before Income Taxes & Extraordinary Items	2,440	2,644
Income Taxes (Note 9)		
Current	(350)	985
Deferred	802	(171)
	452	814
Earnings before Extraordinary Items	1,988	1,830
Extraordinary Item (Note 12)	149	-
Net Earnings	\$ 2,137	\$ 1,830
Earnings per share (Note 10)		
- Before extraordinary items	\$ 0.55	\$ 0.64
- After extraordinary items	0.59	0.64

Consolidated
Statement of Retained
Earnings
(thousands of dollars)

	Year ended September 30th	
	1984	1983
Retained Earnings - Beginning of Year		
As previously reported	\$ 5,765	\$ 4,425
Prior period adjustment	-	(5)
As restated	5,765	4,420
Net earnings	2,137	1,830
Stock issue expenses (Net of tax recovery of \$190)	-	462
Dividends	39	23
Retained Earnings - End of Period	\$ 7,863	\$ 5,765

Glenayre Electronics Ltd.
Consolidated Statement of
Changes in Financial Position

(thousands of dollars)

	Year ended September 30th	
	1984	1983
Working Capital Derived from Operations		
Net Earnings after adjustment for items not involving working capital	\$ 3,266	\$ 2,259
Proceeds from disposal of assets	314	44
Issue of shares	2,670	7,598
- Less related expenses (net of tax recovery)	-	(462)
	6,250	9,439
Working Capital Applied To		
Purchase of fixed assets	4,417	2,115
Goodwill on purchase of ECI Electronics Ltd. - Less related share issue	-	287
Decrease in long-term debt	64	65
Dividends paid	39	23
Licence acquisition (Note 5)	300	-
Other assets	57	-
	4,877	2,490
Increase in Working Capital	1,373	6,949
Working Capital - Beginning of Period	11,247	4,298
Working Capital - End of Period	\$12,620	\$11,247
Represented by		
Current assets	\$20,012	\$15,042
Current liabilities	7,392	3,795
	\$12,620	\$11,247

Auditors' Report

To the Shareholders of
Glenayre Electronics Ltd.

We have examined the consolidated balance sheet of Glenayre Electronics Ltd. as at September 30, 1984 and the consolidated statements of earnings, retained earnings and changes in financial positions for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1984, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mac Gillivray & Co.
Chartered Accountants
Vancouver, Canada
December 3, 1984

1. Summary of Accounting Policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and conform in all material respects with International Accounting Standards, except that these financial statements do not reflect the impact of general price level changes. The more significant policies are outlined below.

(a) Consolidation:

The consolidated financial statements include the accounts of Glenayre Electronics Ltd. and its wholly-owned subsidiary, Glenayre Electronics Inc., after elimination of inter-company accounts and transactions. All of the assets and liabilities of ECI Electronics Ltd., a wholly-owned subsidiary acquired in 1983, were transferred to the company upon winding up on September 1, 1983.

(b) Foreign Exchange:

The accounts of Glenayre Electronics Inc. have been translated into Canadian dollars as follows: monetary assets and liabilities at the exchange rate in effect at the balance sheet date, non monetary items at the exchange rate in effect when they were acquired, and revenue and expenses (other than depreciation and amortization) at average exchange rates during the period. The resulting gains or losses on translation are included in the results of operations.

(c) Revenue Recognition:

Revenue from sales of products is recognized at the time goods are shipped to customers. Revenue from sale of research and other long-term contracts is recognized when progress billings are rendered.

(d) Inventories:

Raw materials are valued at the lower of the average cost of materials purchased and replacement cost. Work in process and finished goods are valued at the lower of cost (including the materials, labour and overhead costs based on actual rates) and net realizable value.

(e) Fixed Assets:

Fixed assets are stated at cost. Depreciation is based on the expected useful lives of the respective assets as follows:

	Method	Rate
Computer software	Declining Balance	50% and 100%
Computer hardware	"	30%
Furniture and fixtures	"	20%
Machinery and equipment	"	20%
Building	Straight Line	4% (25 years)

(f) Goodwill and Other Assets:

Goodwill resulting from the acquisition of ECI Electronics Ltd. is being amortized on a straight line basis over 10 years. (Note 5)

Other assets include a \$300,000 licence agreement with VMX Inc. which is being amortized on a straight line basis over a period of 10 years. (Note 5)

(g) Income Taxes:

The company follows the tax allocation method of providing for income taxes. Deferred income taxes represent amounts not payable until future years because certain expenses, principally depreciation and amortization, have been expensed for tax purposes on an accelerated basis.

Incentive tax credits and allowances are reflected as reductions in income taxes in the year utilized.

Dividend payments from the subsidiary company are subject to foreign withholding taxes. The company has no plans to remit the accumulated earnings of its subsidiary and accordingly no provision has been made for taxes on repatriation.

(h) Research and Development Costs:

Research and Development costs (which include direct labour, materials and applicable overhead costs) are expensed in the period in which they are incurred. Government grants are offset against the applicable costs incurred.

**Glenayre Electronics Ltd.
Notes to the Consolidated
Financial Statements**

2. Accounts Receivable	1984	1983
	<i>(thousands of dollars)</i>	
Trade	\$ 6,775	\$ 4,081
Government contracts	576	248
Other	688	336
	\$ 8,039	\$ 4,665
3. Inventories	1984	1983
	<i>(thousands of dollars)</i>	
Raw materials	\$ 2,901	\$ 1,555
Work in process	1,490	1,606
Finished goods	1,856	57
	\$ 6,247	\$ 3,218
4. Fixed Assets	1984	1983
	<i>(thousands of dollars)</i>	
Land	\$ 1,492	\$ 1,488
Building	3,612	-
Machinery, furniture and equipment	3,098	2,421
Leasehold improvements	-	254
Construction in progress	-	50
	8,202	4,213
Less accumulated depreciation	(1,535)	(1,464)
	\$ 6,667	\$ 2,749
5. Goodwill and Other Assets		
(a)	1984	1983
	<i>(thousands of dollars)</i>	
Goodwill (Note 5b)	\$ 1,232	\$ 1,232
VMX Inc. licence agreement (Note 5c)	300	-
Deferred past service pension costs	107	-
Other	50	1
	1,689	1,233
Less accumulated amortization	(187)	(23)
	\$ 1,502	\$ 1,210

(b) Goodwill represents the excess acquisition cost over the fair market value of the net assets of ECI Electronics Ltd. at the date of acquisition, July 25, 1983.

(c) On September 29, 1983, the company entered into a licence agreement with VMX Inc., in consideration for which 20,000 shares were issued in November 1983, and a further 10,000 will be issued in September 1985. This consideration was valued at \$300,000.

6. Long-Term Debt

	1984	1983
	<i>(thousands of dollars)</i>	
British Columbia Development Corp. Payable at \$3,400 per month plus interest at prime rate (as designated by B.C.D.C.) plus 2%	\$ 99	\$ 139
Low Interest Loan Assistance Fund via British Columbia Development Corporation Payable in installments of \$2,000 per month plus interest at one-half prime rate (as designated by B.C.D.C.)	74	98
	173	237
Less current portion	(65)	(65)
	\$ 108	\$ 172

All loans are evidenced by debentures creating fixed and floating charges over the company's assets.

Future payments of principal are required as follows in the next five fiscal years:

1985	\$65,000
1986	65,000
1987 (final payment)	43,000

7. Share Capital

(a) Authorized:

10,200,000 common shares without par value.

(b) Issued Shares:

	Issued Shares	Dollars <i>(thousands of dollars)</i>
Balance - September 30, 1982	2,345,800	\$ 246
Issued during the year:		
- Public offering	850,000	7,438
- On acquisition of ECI Electronics Ltd. (excluding 109,995 shares held in escrow - Note 14a)	90,006	945
- Other issues	136,500	164
Purchased for cancellation	(3,125)	(3)
Balance - September 30, 1983	3,419,181	8,790
Issued during the year:		
- Private placement	245,000	2,450
- Other issues	36,800	220
Balance - September 30, 1984	3,700,981	\$11,460

(c) Shares reserved for issue:

	1984	1983
Employee Stock Plans	350,000	-
For VMX Inc., (Note 5c)	10,000	30,000
For issue to employees and associates at \$1.20 per share	9,200	26,000
Total	369,200	56,000

No shares were issued under the Employee Stock Plans during the year. Options for 25,000 shares were granted at exercise prices ranging from \$9.06 to \$9.56 per share, exercisable until 1989.

Glenayre Electronics Ltd.
Notes to the Consolidated
Financial Statements

(d) Escrowed Shares:

	1984	1983
Shares held in escrow subject to terms approved at the initial issue of shares to the public in April 1983	1,128,667	2,092,445
Shares issued to employees under employee share purchase arrangements	139,498	172,063
Shares held in escrow relating to ECI Electronics Ltd. (Note 14)	109,995	109,995
Total	1,378,160	2,374,503

The remaining shares escrowed at the time of the initial public share offering will be released only with prior consent of the Superintendent of Brokers, or upon the achievement of specified adjusted earnings per share levels in the 1984 and 1985 fiscal years.

Shares issued under employee share purchase arrangements will be released as follows:

1985	41,747
1986	57,734
1987	16,630
Other – not determined	23,387
	139,498

8. Research and Development and Related Government Assistance

Research and development expenditures less related government grants have been charged to earnings in the year incurred as follows:

	1984	1983
	<i>(thousands of dollars)</i>	
Company funded expenses	\$ 3,197	\$ 2,649
Government funded expenses	369	348
Contract research	323	683
Total expense	\$ 3,889	\$ 3,680

Company funded expenditure above differs from that shown in the earnings statement due to the inclusion of depreciation expense in the above figures (1984 – \$204,000; 1983 – \$91,000).

Contract research is carried out for various government agencies on a full-cost basis. Amounts received on these contracts have been credited to sales, and the associated costs charged to cost of sales.

Under the terms of some of the grants, should equipment acquired under the grant be sold, a portion of the proceeds may be repayable.

9. Income Taxes

The company's approximate statutory income tax rate for the current fiscal year is 46.6% (1983; – 47.1%). The reported income tax expense does not reflect this rate because of claiming in the current and prior three fiscal years investment tax credits which reduced federal income tax or created refunds, and because of permanent deductions – primarily the extra 50% deduction for the excess of R & D expenditures incurred in the current fiscal year over the average for the prior three years.

At September 30, 1984, the company had available investment tax credits of approximately \$1,536,000 to reduce future federal income taxes. These will expire if not used as follows:

September 30, 1985	\$290,000
September 30, 1986	224,000
September 30, 1987	296,000
September 30, 1988	179,000
September 30, 1989	–
September 30, 1990	–
September 30, 1991	547,000

10. Earnings Per Share

Basic earnings per share figures are calculated using the weighted average number of common shares outstanding during the respective fiscal periods. The weighted average number of shares outstanding is as follows: 1984 – 3,601,402; 1983 – 2,856,030.

11. Segmented Information

The company is engaged in the design, manufacture, marketing and servicing of electronic equipment.

Geographic Segment Information:

The company operates in two geographic segments, which are Canada and the United States.

	1984	1983
	(thousands of dollars)	
Export sales included in the Canadian segment:		
– Mexico	\$ 280	\$ 1,597
– Other	66	668
	\$ 346	\$ 2,265

	Canada	United States	Eliminations	Total
1984 (thousands of dollars)				
Sales	\$ 5,541	\$12,892	\$ –	\$18,433
Transfer between segments	7,088	–	(7,088)	–
Total sales	\$12,629	\$12,892	\$ (7,088)	\$18,433
Segment operating earnings	\$ 1,434	\$ 827	\$ (2)	\$ 2,259
Total identifiable assets	\$21,913	\$ 6,561	\$ (293)	\$28,181
1983 (thousands of dollars)				
Sales	\$ 7,643	\$ 7,864	\$ –	\$15,507
Transfer between segments	4,925	–	(4,925)	–
Total sales	\$12,568	\$ 7,864	\$ (4,925)	\$15,507
Segment operating earnings	\$ 1,721	\$ 790	\$ (5)	\$ 2,506
Total identifiable assets	\$17,326	\$ 1,732	\$ (57)	\$19,001

**Glenayre Electronics Ltd.
Notes to the Consolidated
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Industry Segment Information:

The communications group of products includes microprocessor based radiotelephone control heads, terminals, and paging terminals. Transportation products are included with communications since they are for the most part communications products for the railway and mining markets with common technology.

As summarized in Note 12, the assets and business of the control and instrumentation group were sold effective April 1, 1984, and results for the segment are included to that date. The control and instrumentation group produced custom electronic control and instrumentation panels and other equipment for industrial, hydro-electric, thermal-electric and marine applications.

	Communications	Control and Instrumentation	Consolidated Total
1984 (thousands of dollars)			
Sales	\$17,981	\$ 452	\$18,433
Segment operating earnings	\$ 2,345	\$ (86)	\$ 2,259
Total identifiable assets	\$28,181	\$ -	\$28,181
1983 (thousands of dollars)			
Sales	\$13,886	\$ 1,621	\$15,507
Segment operating earnings	\$ 2,618	\$ (112)	\$ 2,506
Total identifiable assets	\$18,210	\$ 791	\$19,001

12. Extraordinary Item

	(thousands of dollars)
Gain on sale of Control & Instrumentation business	\$ 205
Less related income taxes	(56)
	\$ 149

13. Pension Plan

The company introduced a pension plan effective May 1, 1984. The plan is available to substantially all Canadian employees. Pension costs for current service are charged to earnings in the year incurred. The liability for past service is being funded and charged to earnings over a 15-year period. As at September 30, 1984, the unfunded liability for past service (all of which was vested) was \$112,000, of which \$100,000 is long term.

Total pension expense, including past service costs was: \$41,000

14. Contingencies

- (a) On July 25, 1983, the company acquired 100% of the shares of ECI Electronics Ltd. Under the terms of this agreement 109,995 shares are held in escrow. The company believes that no shares should be released in 1984. Further consideration under the agreement will be recorded when, and if, shares are eventually released.
- (b) Two former employees of the Company have initiated proceedings for wrongful dismissal. The Company intends to contest these claims. Settlement, if any, cannot be reasonably estimated at this time.

Directors

B.H. Brady*
President
Brink Hamilton Enterprises Ltd.
Vancouver, B.C.

J.W. Chisholm
Vice-President

E.K. Deering*
President & Chief Executive Officer

G.H.D. Hobbs*
Private Investor
Vancouver, B.C.

D.G. Melvin*
McTaggart, Ellis & Co.
Vancouver, B.C.

H.W. Scott
Private Investor and Former
Plant Manager

* *Member of Audit Committee*

Officers

E.K. Deering
President

P.M. Bradley
Vice-President & General Manager

J.W. Chisholm
Vice-President

J.F. McDermott
Vice-President Sales & Marketing

D.T. Pritchard
Treasurer & Assistant Secretary

P.W. Lancaster
Vice-President Engineering

D.G. Melvin
Secretary

Auditors

MacGillivray and Co.
Vancouver, B.C.

Transfer Agent and Registrar

The Canada Trust Company
Vancouver, B.C.

Bank

The Royal Bank of Canada

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